

## **BOARD OF DIRECTORS' ANNUAL REPORT**

***Dear Shareholders,***

*On behalf of the Board of Directors and myself, I welcome you to the 41<sup>st</sup> Annual General Meeting of your Company.*

### ***Global Economic Outlook***

*Global economic growth is estimated to be around 3.7% in 2018 as per World Economic Outlook published by IMF. Economic growth is expected to slow down further during 2019 and 2020 due to slowing of demand in China, impact of US – China Tariff war, BREXIT and weak financial market sentiments. During January, crude oil price dropped to USD 55 per barrel. Although it has recovered, yearly average oil price is expected to remain at around USD 60 during 2019. Growth in the Middle East is expected to remain subdued due to Geo-Political tension and weak oil price.*

*Socio-political situation in the neighboring countries like Syria, Yemen, Iraq and Iran which have been the export market for UAE, have remained volatile. Commodities prices like Coal and Slag, which we use in our process of production, have remained high during 2018. UAE witnessed introduction of Value Added Tax during 2018. Cement prices in UAE continued its downward journey due to excessive supply. Construction sector has remained slow due to the liquidity crunch faced by small and medium businesses. As a result, sales and profitability of all cement companies in the UAE have declined during 2018.*

*We have continued our journey of developing new markets. We have also been working on reducing our operating costs through automation and cost rationalization. We are pleased to announce that installation of a 40 MW coal based captive power plant at the factory is nearly complete and is expected to be commissioned in the beginning of the third quarter of 2019. It will reduce our electricity costs and the cost of production once operational.*

### ***Finance***

*Your company has attained sale of AED 597 Million and gross profit of AED 34 million compared to AED 650 Million and AED 57 Million respectively for 2017. As explained earlier, lower gross margins were due to steep decline in the selling price and increased cost of energy, raw materials and transportation. Investment income for 2018 was AED 23 Million as against 32 Million during 2017. With introduction of IFRS 9, investment income of AED 15 Million was accounted for directly in retained earnings instead of income statement. Net profit for the year 2018 was AED 29 Million as against AED 65 Million in 2017. In view of limited net profit and financial requirements for the capital projects of the company, the Board of Directors has recommended 6.5% Cash Dividend to the Shareholders.*

### ***Corporate Social and Environmental Responsibility***

*Your Company recognizes its responsibilities towards preservation of Environment and has worked actively towards reducing the dust and other emissions in and around the factory by working closely with Sharjah Municipality and Ministry of Environment. Your company also works with Sharjah Police to ensure safe and environment friendly disposal of hazardous waste and other contraband materials. We have planted more than 2,000 trees in the factory premises and we are proud to be one of the greenest factory in the UAE. In our commitment to sustainable growth and greener earth we continuously invest in technology to reduce our carbon footprints by reducing the coal consumption. We recycle every drop of water used in the factory.*

*The Company supports many charitable organizations and social institutions to fulfill its corporate social responsibilities. For development of Emirati youth, Company organizes visits to the cement plant and provides regular training in association with various schools and universities.*

### ***Looking Ahead***

*As mentioned earlier, installation of a 40 MW coal based captive power plant at the factory is nearly complete and is expected to be commissioned in the beginning of the third quarter of 2019. Construction of residential towers in Dubai Sports City is expected to be completed in December 2019. Due to its proximity to the new airport, global village and the new theme parks, these towers will generate steady rental income and provide opportunity for capital gains.*

*While the above projects will help to reduce the company's long term expenses and increase fixed income, it is also expected that economic drives like – announced initiatives from the UAE Government such as long term residence visas, 100% corporate ownership, Expo 2020, infrastructure spending by the local Governments and other initiatives to encourage investment and retain human capital in the country, will result in creating an environment of entrepreneurship and jobs creation that will improve the demand for our products in 2019. Stability in the oil price is likely to play a key role in boosting the investor confidence.*

*Finally, it gives us the honour to express our sincere gratitude to H.H. Dr. Shaikh Sultan Bin Mohamed Al Qassimi, Ruler of Sharjah and Member of Supreme Council for his continuous guidance and support.*

*I would also like to thank the Fellow Board Members, Management and Employees of the company for their dedicated efforts and devotion in achieving the Company's objectives.*

*Ahmed Abdulla Al Noman  
Chairman*